



<u>Committee and date</u> Pensions Board 16 November 2018 9.30am

<u>Item</u> <u>Public</u>
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Administration and regulatory updates

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1. **Summary**
The report provides Pension Board Members with the latest administration and regulatory updates affecting the Local Government Pension Scheme (LGPS).

2. **Recommendations**
Pension Board Members are asked to note the contents of this report.

REPORT

3. **Risk Assessment and Opportunities Appraisal**
 - 3.1 **Risk Management**
By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.
 - 3.2 **Human Rights Act Appraisal**
The recommendations contained in this report are compatible with the Human Rights Act 1998.
 - 3.3 **Environmental Appraisal**
There is no direct environmental, equalities or climate change consequence of this report.
 - 3.4 **Financial Implications**
Currently there are no direct financial implications arising from this report.
4. **Administration topics covered at Pensions Committee since the last Pensions Board meeting**
 - 4.1 In addition to this report the Pensions Board are advised to note the Pensions Administration Reports submitted to the pension committee meetings held on 27 July 2018 and the 21 September 2018.

5. Current issues and challenges facing administration

5.1 Data improvement plan and rerunning data quality tests

- 5.11** A data improvement plan was implemented in 2018 following data quality tests undertaken in June 2017. This was reported to the Board at the 13 April 2018 meeting. The next data quality tests are scheduled to be run in March 2019 therefore the current data improvement plan will need to be updated and closed then.
- 5.12** A new plan will need to be drawn up following the results from the 2019 tests. The current objectives built into the 2018 plan will need to be reviewed and a report produced on what we were/were not able to achieve and why, to be provided to the Board. The Data Improvement Plan will evolve depending on the results of the data quality tests, the priorities of the Team at that time together with any risks identified.
- 5.13** The Pension Regulator return 2018 was completed on time. Data scores were provided.
- 5.14** The Scheme Advisory Board's (Sab) intention is still to have a set of agreed scheme specific data measures for the Local Government Pension Scheme for the 2019 Pension Regulator Return. They tried to do this for 2018 but did not give themselves time to complete this piece of work. A challenge for the team will be if the timing of the SAB work falls outside of the scheduled data quality test runs in 2019.

5.2 Cyber security

- 5.21** The Pensions Regulator acknowledges that pension schemes are potentially targets for cyber-crime due to the large amounts of personal information held and that scheme managers are responsible for putting controls in place to ensure the security of data and assets.
- 5.22** The Fund's IT systems are hosted on Shropshire Council's infrastructure. There is assurance that they have processes in place to keep the Fund's systems safe and secure.

Some of the ways the Fund's IT systems are protected from cyber-attacks are by:

- Installation of anti-virus software updates
- Regular system audits
- Frequent staff training to make sure staff can recognise an attempted attack
- Internal and external penetration testing

The Pensions Regulator also recommends that cyber security should be on risk registers and it is on the Fund's register.

- 5.23** External penetration testing by a third-party provider, to test the systems cyber resilience, will be undertaken in 2019 on the web facing elements of the pension administration system.

5.3 Training in 2019

- 5.31** The Fund has had a training policy in place since March 2016. The policy has the ultimate aim of ensuring the Fund is managed by individuals who have the appropriate levels of knowledge and skills. The policy applies to members of the Pension committee and Pension Board, as well as officers.

- 5.32** Members of the Pensions Board have a legal requirement under the Public Service Pensions Act 2013 to be conversant with the scheme rules, and any documented administration policies currently in force. Pension Board members must also have knowledge and understanding of the law relating to pensions. Being 'conversant' means having a working knowledge of the scheme regulations and policies. Further explanation can be found in the Funds training policy found on www.shropshirecountypensionfund.co.uk

- 5.33** To establish the level of knowledge and skills within the Pensions Board members, each member is asked to complete the CIPFA self-assessment matrix to model future training requirements. In August 2018, both the Pension Board members and Committee members were given the opportunity to engage in a national survey to gather feedback on the confidence of the roles and responsibilities of those tasked with managing the LGPS Fund. 1 Pension Board member and 3 Committee members responded. The results were released on 5 November and a copy of the national and local results have been forward to both members of the Pensions Board and Committee.

5.4 GMP reconciliation and rectification

- 5.41** During 2019 the Fund will continue its work on the GMP project. Reconciliation has almost been completed for all members and the rectification stage is being started soon. The aim is to complete by 31 March 2019 prior to the 2019 Pensions Increase.
- 5.42** Fund queries were logged with HMRC by the due date. Outstanding queries have just been received from the contractor which are currently being investigated by the Team.

5.5 Mortality and member tracing service

- 5.51** As previously reported the Fund had, early in 2018, chosen a provider to provide a mortality and member tracing service. However a contract could not be awarded due to risks being identified by the Council that

the provider was not prepared to cover enough financial indemnity. In September 2018, a national Local Government Pension Scheme Member Data framework was launched which covers:

- Address Tracing and Correction Services.
- Mortality Screening Services.
- Overseas Address Tracing and Correction Services.
- Overseas Mortality Screening Services

Officers are currently reviewing this framework to contract the services required in early 2019. Address identification will help improve record keeping which will contribute to improving our data quality scores.

5.6 Staff retention

5.61 Prior to the introduction of the 2014 Career Average Revalued Earnings Scheme on 1 April 2014 the size of the pension administration team was reviewed and new posts introduced to undertake the additional work the new scheme created.

5.62 However, there is a struggle to retain staff within the administration team. The Teams experience is supported by research undertaken by the Pensions Lifetime and Savings Association (PLSA) looking at recruitment, resourcing and retention within LGPS Funds, **Appendix A**.

5.63 It has been recognised by the SAB that the complex nature of Pensions Administration is not picked up by generic Job evaluation schemes.

5.64 A common reason for staff leaving the administration team has been because retention is high at middle and senior levels, meaning limited opportunities for career development. The team is very supportive of personal development; with team members undertaking leadership courses and 3 staff currently utilising the apprenticeship levy programme undertaking a management degree course. Going forward the Fund may look at apprenticeships or encourage inter-team secondments.

6. Ministry of Housing, Communities and Local Government (MHCLG) open consultation on technical amendments to benefits

6.1 MHCLG have recently opened an eight-week policy consultation called 'LGPS: technical amendments to benefits', found in **Appendix B**. The consultation looks at three areas:

- Survivor benefits – including changes to pensions paid to survivors of civil partnerships or same-sex marriages to be equal to those provided to widows of male members.
- Introducing a general power for MHCLG to issue statutory guidance.

- Correcting the unintended error in the LGPS (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their LGPS pension without the need for their former employer's consent from age 55, with the appropriate reduction for early payment.

The consultation closes at 11:45pm on 29 November 2018 and officers hope to engage in the consultation. Any introduction of new or revised legislation brings with it additional administration and communication work for the team.

7. SCAPE discount rate – impact on actuarial guidance

- 7.1** In the 2018 Budget, 29 October, the Chancellor of the Exchequer confirmed the reduction in the SCAPE discount rate from CPI + 2.8% to CPI + 2.4% in the 2018 Budget.
- 7.2** The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes and determine the actuarial factors used across all public service pension schemes. The reduced rate is effective from 29 October for the calculation of actuarial factors in the LGPS – this means that some non-club transfers, some interfund calculations and all CETVs for divorces are on hold until new factors are issued. It is expected that new factors will be issued by the Secretary of State in due course, within approximately 6 weeks (i.e. early December 2018). Quotations affected by these factors cannot be issued and are currently being stockpiled and monitored. It is not necessary to suspend Club transfers. Communication to members, documentation and internal processes all have to be updated during this period.
- 7.3** MHCLG have also confirmed that the remainder of the scheme's actuarial factors will be amended to take account of the reduction in the SCAPE discount rate in due course. It is expected that these revised factors will be issued around February/March 2019. Communication to members who request a retirement quote or who are leaving with an effective date on or after 1 February 2019 has been put in place.
- 7.4** Changes will be required to the pensions administration system to update the factors when issued. Which will then enable the stockpiled calculations to be worked on.

8. Working with employers

- 8.1** Further engagement will be undertaken in 2019 with scheme employers. An employers meeting was held in October 2018. Presentations were given by Fund officers, Aquilla Heywood and The Pensions Regulator. A Copy of the presentations delivered can be

found in **Appendix C**. A video of the meeting can be viewed on the Fund's website.

- 8.2 Positive feedback was received from The Pensions Regulator, on the day, regarding the content of the meeting and in particular the fact that the Fund had already introduced monthly data collection. This is an area they are pushing heavily with Pension schemes around the Country.
- 8.3 An area of development which was suggested by the Pensions Regulator was setting up a contact email address for the Pensions Board. This would ensure emails directed to the Board from members/employers can be managed separately from the team's general queries. The mailbox pensionsboard@shropshire.gov.uk has therefore been set up and will be communicated to employees/employers for use when they wish to contact members of the Pensions Board. All emails received to this inbox will be forwarded to all Board members.

9. Continued development of use of technology

- 9.1 Further development is planned for online methods of communication with and data collection from members and employers.
- 9.2 For members, 'My Pension Online' and use of the Fund website has expanded when and how pension information can be accessed. More members are using a smartphone or tablet however to access pension information and it is important that the Fund continues to adapt communications to increase engagement.
- 9.3 Work is underway to upgrade the current 'My Pension Online' system and the Funds website. It is hoped both will be in place in December 2018.
- 9.4 Employers send most of the data the Fund requires using iConnect but individual forms are still needed for all scheme leavers. The Fund is looking at an electronic form for employers to use which should improve efficiency for both employers and the Fund and eliminate paper forms being submitted by post therefore reducing costs too.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Item 16 – Pensions Board Meeting 13 April 2017 – Data Improvement Plan

Item 23 - Pensions Committee Meeting 16 March 2018 – Pension Administration Monitoring

Item 15 - Pensions Committee Meeting 27 July 2018 – Pension Administration

Monitoring

Item 8 - Pensions Committee Meeting 21 September 2018 – Pension Administration Monitoring

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

Appendix A – PLSA Research Document
Appendix B – MHCLG consultation document
Appendix C – Employers meeting 2018 slides